

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STR-04 FEA-01
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03
H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05
PA-01 AID-05 SS-15 ITC-01 USIA-06 PRS-01 SP-02
OMB-01 /110 W
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P R 090949Z SEP 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 994
INFO AMEMBASSY BRUSSELS
USMISSION GENEVA
DEPT OF TREASURY

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PASS STR FOR AMB STRAUSS

TREASURY FOR BERGSTEN

GENEVA FOR MTN

BRUSSELS FOR EC
E.O.11652: N/A
TAGS: ETRD, GATT, MTN, JA
SUBJECT: US-JAPAN MTN BILATERAL

REF: (REPORTING CABLE ON BILATERALS)

1. FOLLOWING US-JAPAN PLENARY BILATERAL MTN MEETING
(REFTEL) AMBASSADOR WOLFF AND TEAM MET SEPTEMBER 8 WITH
CUSTOMS BUREAU DIRECTOR GENERAL TOZUKA AT MOF, DIRECTOR
GENERAL IMMURA AT MAF AND VICE MINISTER MASUDA AT MITI.
HIGHLIGHT OF DAY'S MEETINGS WAS WITH MASUDA AT MITI
DURING WHICH GOJ CLEARLY ATTEMPTED RECOUP FROM EXPRESSION
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OF US DISSATISFACTION WITH RESULTS OF PLENARY SESSION
STATED BY AMBASSADOR WOLFF AT THE CONCLUSION OF
THE PLENARY SESSION AND HIS MEETING THE MORNING OF
SEPTEMBER 8 AT FINANCE MINISTRY. WITHOUT BEING
OVERLY CRITICAL OF SPECIFIC JAPANESE POSITION,
US TEAM SOUGHT LEAVE CLEAR IMPRESSION OF OUR
DISAPPOINTMENT (A) THAT JAPAN APPARENTLY DID NOT

SHARE OUR ASSESSMENT THAT A SUCCESSFUL MTN WAS AS MUCH, IF NOT MORE, IN GOJ INTEREST THAN THAT OF ANY OTHER PARTICIPANT, (B) THAT SUPPORT OF OUR POSITIONS IN MTN WAS OF LESS IMPORTANCE TO US THAN NEED FOR JAPANESE LEADERSHIP IN MTN IN RECOGNITION OF MTN'S IMPORTANCE TO JAPANESE AND (C) THAT APPARENT STATUS-QUO POSITION OF JAPAN IN THE NEGOTIATIONS ONLY ADDED FUEL TO PROTECTIONIST PRESSURES ELSEWHERE TO DIRECT DETRIMENT OF JAPAN'S LARGER INTERESTS. US TEAM'S REACTION WAS PARTLY THE RESULT OF PRIVATE ASSESSMENT GIVEN US IN ADVANCE BY MOFA--AND BORNE OUT IN PLENARY MEETINGS--THAT GOJ BUREAUCRACY, PARTICULARLY IN MITI AND FINANCE, WAS GIVING PRIORITY TO JAPANESE DOMESTIC ECONOMIC CONCERNS AND WAS, THEREBY, PUSHING BROADER OBJECTIVES OF MTN INTO THE BACKGROUND. FINANCE MINISTRY SEEMED MORE CONCERNED WITH BUDGETARY COSTS OF ADJUSTMENT ASSISTANCE RATHER THAN ECONOMIC BENEFITS OF TRADE EXPANSION.

2. MEETING WITH MASUDA LATE IN DAY OF SEPTEMBER 8 LASTED THREE HOURS AND WAS CLEARLY INTENDED TO STRESS THE IMPORTANCE GOJ PLACED ON MTN AND TO IMPRESS ON US TEAM WILLINGNESS OF GOJ TO BE FLEXIBLE WITHIN LIMITS OF ITS POSSIBILITIES. MASUDA IN HIS OPENING COMMENTS NOTED WITH SATISFACTION THAT NEGOLIMITED OFFICIAL USE

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TIATIONS WITH AMB. STRAUSS HAD YIELDED A SATISFACTORY RESOLUTION OF THE TV ISSUE. HE WENT ON TO STATE THAT JAPAN WAS NOT WEDDED TO ITS TARIFF FORMULA PROPOSAL AND, IN RETURN FOR FLEXIBLE POSITION OF US NOTED THE PREVIOUS DAY, WOULD ALSO BE FLEXIBLE. MAJOR RESTRAINT, HE SAID, WAS THREAT OF COMPETITION FROM LDC IMPORTS OF JAPAN SIGNIFICANTLY REDUCED TARIFFS IN THE LOWER RANGE. SPECIFIC POINTS MADE BY MASUDA ON TARIFFS WERE AS FOLLOWS:

(A) HE WAS SURE THT IF EC, US AND JAPAN WERE FLEXIBLE, AGREEMENT ON A TARIFF FORMULA COULD BE REACHED BY OCTOBER 1. JAPAN HAD VIEWED ITS TABLED POSITION IN GENEVA AS A POTENTIAL COMPROMISE BETWEEN US AND EC POSITIONS, BUT JAPAN WAS PREPARED TO MOVE OFF ITS POSITION. HOWEVER, THEY DID NOT THINK WE SHOULD WORK FROM ASSUMPTION THAT THE EXCEPTION'S LISTS WOULD BE SO LONG AS TO RESULT IN THE SAME SLIPPAGE FROM THE TARGETED DEPTH OF CUT AS EXPERIENCED IN THE KENNEDY ROUND. MASUDA SAID JAPAN WOULD HAVE THE APPROPRIATE REPRESENTATION AT THE CG-18 MEETING IN GENEVA AT THE END OF

SEPTEMBER TO NEGOTIATE ON TARIFFS.

(B) JAPAN BELIEVED A TARIFF FLOOR WAS NEEDED TO PRESERVE MARGINS OF PREFERENCE FOR LDCS. BUT THEY ALSO RECOGNIZED THAT A FLOOR MIGHT FORCE CANADA NOT TO APPLY THE FORMULA WHICH JAPAN DID NOT WANT. THEY WERE, THEREFORE, REVIEWING THEIR POSITION.

(C) MASUDA RECONFIRMED THAT JAPAN WISHED TO APPLY THE TARIFF FORMULA TO ITS STATUTORY RATES ON UN-BOUND ITEMS. HOWEVER, ONCE A FORMULA IS AGREED, JAPAN WOULD CONSIDER DEEPTER THAN FORMULA CUTS ON THESE ITEMS. IT IS ALSO WILLING TO CONSIDER DEEPTER THAN FORMULA CUTS TO COMPENSATE FOR EXCEPTIONS. WHATEVER CUTS IT MADE, EVEN IF DEEPTER THAN THE FORMULA REQUIRED, THEY WOULD BE BOUND.
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(D) MASUDA ALSO RECONFIRMED THAT JAPAN WOULD HAVE TO TAKE SOME EXCEPTIONS, NOTING THAT A MAJOR CONCERN TO THEM WAS IMPORTS FROM LDCS. IF THE CUTS IN THE LOWER TARIFF RANGES WERE DEEP, THEN JAPAN WOULD BE FORCED TO TAKE MANY EXCEPTIONS TO AVOID A FLOOD OF LDC IMPORTS. THIS IS WHY THEY FAVOR A HIGH DEGREE OF HARMONIZATION. IF HARMONIZATION ALSO

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INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 STR-04 ITC-01 USIA-06 PRS-01 SP-02 OMB-01
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AFFECTED THE DEPTH OF CUT FOR ITEMS IN THE 5 TO 15 PERCENT TARIFF RANGE OF INTEREST TO THE US, JAPAN THOUGHT THIS COULD BE TAKEN CARE OF BY DEEPER THAN FORMULA CUTS ON THESE ITEMS.

3. IN THE REFORM AND TM AREAS OF THE MTN MASUDA NOTED GOJ CONCERN THAT A REVISION OF GATT ARTICLE XIX WOULD RESULT IN MAKING IT EASIER TO TAKE SAFEGUARD ACTIONS. HE ALSO REPEATED JAPANESE CONCERN OVER SELECTIVE USE OF SAFEGUARD MEASURES NOTED IN THE PRIOR DAY'S PLENARY SESSION. MASUDA DENIED THAT THERE WAS ANY VALIDITY TO THE VIEW THAT JAPAN WAS UNENTHUSIASTIC ABOUT NEGOTIATING ON NTMS. IN FACT, HE SAID, JAPAN WAS EAGER TO REACH AGREEMENT ON THE NTMS UNDER NEGOTIATION AND WAS WELL AWARE OF THE NTMS OF OTHERS WHICH RESTRICTED JAPAN'S TRADE, INCLUDING THOSE MAINTAINED BY THE US.

4. MASUDA CONCLUDED BY NOTING THAT GOJ WAS WELL AWARE OF THE IMPORTANCE TO JAPAN OF A SUCCESSFUL LIMITED OFFICIAL USE

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MTN AND STRESSED THE IMPORTANCE OF THE US AND JAPAN CONTINUING TO COMMUNICATE WITH EACH OTHER IN THE SEARCH FOR MUTUAL UNDERSTANDING. FINALLY, MASUDA REFERRED TO REPORTS IN THAT DAY'S JAPANESE PRESS THAT THE US STEEL INDUSTRY INTENDED TO SUBMIT A MAJOR DUMPING PETITION TO TREASURY. HE OPINED THAT SUCH AN ACTION WOULD BRING ON A HIGHLY NEGATIVE REACTION IN JAPAN WHICH WOULD COMPLICATE US-GOJ COOPERATION IN THE MTN.

5. WOLFF WELCOMED MORE POSITIVE ATTITUDE TAKEN BY MASUDA AND REPLIED TO SPECIFIC POINTS MADE BY MASUDA ALONG SAME LINES TAKEN IN PLENARY. REGARDING POSSIBLE DUMPING PETITION BY US STEEL INDUSTRY, WOLFF SAID USG HAD NO MEANS TO DENY TO ANY INDUSTRY ITS RIGHT TO MAKE USE OF LEGAL REMEDIES AVAILABLE TO IT UNDER US LAW, AND HAD NO BASIS FOR SUGGESTING THAT A MULTILATERAL APPROACH IN THE MTN WOULD PROMISE SOLUTIONS TO STEEL PROBLEMS. IN SEPARATE MEETING ON STEEL TRADE PROBLEMS WITH AMAYA OF MITI, GOJ SAID IT WAS PREPARED IN OECD AD-HOC GROUP TO AGREE TO PERMANENT MULTI-LATERAL ARRANGEMENT FOR THE EXCHANGE OF INFORMATION AND VIEWS ON WORLD STEEL TRADE. AMAYA ALSO SAID GOJ WOULD WITHIN NEXT WEEK TO TEN DAYS SUBMIT TO TREASURY A PROPOSED FORMULA

FOR CALCULATING COST OF PRODUCTION IN THE GILMORE
DUMPING CASE.

6. DURING THE DAYS DISCUSSION WITH MINISTRIES
SEPTEMBER 8 REFERENCE WAS MADE BY US SIDE TO OUT-
STANDING BILATERAL TRADE ISSUES BETWEEN US AND
JAPAN, INCLUDING CITRUS FUNGICIDE, CHERRIES, THROWN
SILK AND TWENTY-SEVEN ILLEGAL QRS AND LARGE TARIFF
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DESPARITIES BETWEEN US AND JAPAN ON COMPUTERS AND
FILM. WOLFF MADE CLEAR THAT HE DID NOT COME TO JAPAN
TO MAKE DEMANDS FOR SPECIFIC TARIFF SOLUTIONS BUT NOTED
THAT ANY EFFORTS BY GOJ TO RESOLVE OUTSTANDING TRADE
ISSUES WOULD GREATLY IMPROVE THE ATMOSPHERE FOR
PROGRESS IN THE MTN AND WOULD ASSIST THE USG IN DE-
FUSING GROWING PROTECTIONIST SENTIMENT IN THE U.S.
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Message Attributes

Automatic Decaptioning: X
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Concepts: MEETINGS, FOREIGN TRADE, TRADE CONTROLS
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Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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SAS ID: 1321916
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Status: NATIVE
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TAGS: ETRD, US, JA, GATT, MTN
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